

YPSILANTI HOUSING COMMISSION
YPSILANTI, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ypsilanti Housing Commission	County Wastenaw
Fiscal Year End June 30, 2007	Opinion Date March 17, 2008	Date Audit Report Submitted to State March 31, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

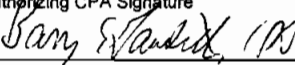
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Control	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Ave.		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA		License Number 11050

YPSILANTI HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Ypsilanti Housing Commission
Ypsilanti, Michigan

I have audited the accompanying financial statements of the business-type activities of Ypsilanti Housing Commission, Michigan, a component unit of the City of Ypsilanti, as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Ypsilanti Housing Commission, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ypsilanti Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated March 17, 2008, on my consideration of Ypsilanti Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 11, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Ypsilanti Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Ypsilanti Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Smith, CPA

March 17, 2008

**Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)**

As management of the Ypsilanti Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Ypsilanti Housing Commission's financial activities for the fiscal year ended June 30, 2007. This discussion and analysis letter of the Ypsilanti Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 were \$2,225,493. The net assets increased by \$5,678, an increase of 0.26% over the prior year.

Revenues and contributions for the Commission were \$2,763,783 for the fiscal year ended June 30, 2007. This was an increase of \$36,499 or 1.3% over the prior year.

Expenses for the Commission were \$2,758,105 for the fiscal year ended June 30, 2007. This was a decrease of \$281,279 or 9.3% from the prior year.

HUD operating grants were \$2,399,235 for the fiscal year ended June 30, 2007. This was an increase of \$177,062 or 8.0% over the prior year. Capital contributions were \$42,366 for the fiscal year ended June 30, 2007. This was a decrease of \$168,855 or 79.9% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Ypsilanti Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income or a flat rent.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Commission is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission, administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,225,493 at the close of the fiscal year ended June 30, 2007 an increase from \$2,219,815 in 2006. The increase in net assets of \$5,678 was due to the change in net assets as shown in the condensed statements of revenues, expenses, and changes in net assets.

The unrestricted net assets were \$227,950 as of June 30, 2007. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net

Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS
June 30,

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Current and other assets	\$ 320,026	\$ 288,188	\$ 31,838	11.05%
Capital assets	<u>1,997,543</u>	<u>2,067,128</u>	<u>(69,585)</u>	<u>(3.37)%</u>
Total Assets	<u>2,317,569</u>	<u>2,355,316</u>	<u>(37,747)</u>	<u>(1.60)%</u>
Current liabilities	57,335	113,750	(56,415)	(49.60)%
Noncurrent liabilities	<u>34,741</u>	<u>21,751</u>	<u>12,990</u>	<u>59.72%</u>
Total Liabilities	<u>92,076</u>	<u>135,501</u>	<u>(43,425)</u>	<u>(32.05)%</u>
Net Assets:				
Invested in capital assets	1,997,543	2,067,128	(69,585)	(3.37)%
Unrestricted	<u>227,950</u>	<u>152,687</u>	<u>75,263</u>	<u>49.29%</u>
Total Net Assets	<u>\$2,225,493</u>	<u>\$2,219,815</u>	<u>\$ 5,678</u>	<u>0.26%</u>

The current assets increase of \$31,838 was due in large part, to new receivables of \$25,000 and \$5,000 due from the City of Ypsilanti for a water line break and insurance proceeds.

Current liabilities decreased by \$56,415, in large part, due to a decrease in the current portion of accrued compensated absences by \$27,226 and accrued liabilities by \$27,779.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
June 30,**

As can be seen in the following table total revenues and contributions increased by \$36,499, in large part, due to a contribution of \$22,253 from the Ann Arbor Community Foundation for park restoration, \$25,000 from the City of Ypsilanti for a reimbursement for the cost of repairing a water line break, and reductions in interest income, tenant rents and nondwelling rents.

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 249,874	\$ 253,547	\$(3,673)	(1.4)%
Nondwelling rent	945	3,670	(2,725)	(74.3)%
Total PHA generated Revenue	250,819	257,217	(6,398)	(2.5)%
HUD operating grants	2,399,235	2,222,173	177,062	8.0%
Capital contributions	42,366	211,221	(168,855)	(79.9)%
Other government grants	22,253		22,253	100.0%
Other income	45,484	28,168	17,316	61.5%
Interest income	3,626	8,505	(4,879)	(57.4)%
Total Revenues and Contributions	<u>2,763,783</u>	<u>2,727,284</u>	<u>36,499</u>	<u>1.3%</u>
Expenses				
Personnel services	715,593	688,143	27,450	4.0%
Utilities	156,392	161,145	(4,753)	(2.9)%
Operations and maintenance	208,732	198,408	10,324	5.2%
Insurance	97,713	98,358	(645)	(0.7)%
Payments in lieu of taxes	4,721	8,220	(3,499)	(42.6)%
Other supplies and expenses	157,778	141,243	16,535	11.7%
Housing Assistance Payments	1,282,905	1,490,532	(207,627)	(13.9)%
Depreciation	134,271	253,335	(119,064)	(47.0)%
Total Expenses	<u>2,758,105</u>	<u>3,039,384</u>	<u>(281,279)</u>	<u>(9.3)%</u>
Change in net assets	5,678	(312,100)	317,778	
Prior period adjustments		(762,232)	762,232	
Beginning net assets	<u>2,219,815</u>	<u>3,294,147</u>	<u>(1,074,332)</u>	
Ending net assets	<u>\$2,225,493</u>	<u>\$2,219,815</u>	<u>\$ 5,678</u>	

Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Revenues:

Ypsilanti Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended June 30, 2007 for Public Housing, capital contributions, and Housing Choice Vouchers increased from fiscal year ending June 30, 2006 to June 30, 2007 by \$8,207. For fiscal year ending June 30, 2007, revenue generated by the Commission accounted for \$322,182 (or 12% of total revenue), while HUD contributions accounted for \$2,441,601 (or 88% of total revenue).

Expenses:

Total Expenses for the fiscal ending June 30, 2006 were \$3,039,384 while for the fiscal year ending June 30, 2007 they were \$2,758,105. This represents an 9.3% decrease in our operating costs. The expenses were decreased, in large part, because the Housing Choice Voucher HAP (housing assistance payments) payments decreased by \$207,627 from the prior year due to Payment Statement reduction approved by HUD Central on November 2005. Payment Standares will be changed per current standard effective date of July 2008. Depreciation decreased by \$119,064 due to an adjustment to the depreciation rate that better reflects the remaining useful life of our capital assets. Personnel costs increased \$27,450 due to a slight increase in employee benefit costs and filling the position of occupancy clerk for the Housing Choice Voucher program. Other supplies and expenses increased by \$16,535, in part, due to the increase in the bad debt writeoff in the amount of \$26,190 and a reduction in insurance costs of \$16,297.

The following represents changes in Federal Assistance received:

	<u>06/30/07</u>	<u>06/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing				
Operating Subsidy	\$ 377,764	\$ 501,306	\$ (123,542)	(24.6) %
Capital Fund Program				
Grants	185,276	358,673	(173,397)	(48.3) %
Housing Choice				
Voucher Program	<u>1,878,561</u>	<u>1,573,415</u>	<u>305,146</u>	<u>19.4</u> %
Total	<u>\$2,441,601</u>	<u>\$2,433,394</u>	<u>\$ 8,207</u>	<u>0.3</u> %

**Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

FINANCIAL ANALYSIS (CONTINUED)

The above chart is segregated as to the Program source of funds, not the use of funds. The operating subsidy was reduced to HUD taking monies owed to it from the past. The subsidy for Housing Choice Vouchers increased due to HUD changing its' method of distributing funds this past year. The decrease in the Capital Fund Program was due to the fact that work projects during the fiscal year ending June 30, 2007 progressed along less rapidly than the prior year, thus utilizing less of our Capital Fund Program funding in the fiscal year ending June 30, 2007 than in the fiscal year ending June 30, 2006.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending June 30, 2007 was presented to and approved by the Board of Commissioners. We had amended the budget during the fiscal year. Actual results were in line with budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Ypsilanti Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>6/30/07</u>	<u>6/30/06</u>
Low Rent Public Housing	198	198
Housing Choice Voucher	197	197

During the fiscal year ending June 30, 2007, Ypsilanti Housing Commission maintained a lease-up rate of 89% in its Low Rent Public Housing program and a lease-up rate of 88% in its Housing Choice Voucher program.

CAPITAL ASSETS

During the fiscal year ending June 30, 2007, our Capital Fund Program work projects included:

Upgrading existing tennis and basketball courts for \$12,986, purchase of refrigerators and gas ranges for \$5,226, a chain link fence for \$6,455, kitchen cabinets for \$2,529, architect for site improvements for \$977, repair and supply a picket fence for \$3,472, playground equipment costs for \$18,414, computer equipment for \$16,777, survey Paradise Manor for \$19,500, repair sanitary stack for \$1,200, and 20' slat wall and post for \$2,895. Some of these purchases were classified to operating expenses.

Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

CAPITAL ASSETS (CONTINUED)

There are no Capital projects planned for the next fiscal year at this time.

The Ypsilanti Housing Commission's investment in capital assets, as of June 30, 2007 amounts to \$1,997,543 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 935,200	\$ 935,200	\$
Buildings	9,541,084	9,629,616	(88,532)
Furniture, equipment and machinery - dwellings	258,632	189,717	68,915
Furniture, equipment and machinery - administration	185,035	142,776	42,259
Building improvements	<u>43,344</u>	<u>1</u>	<u>43,343</u>
	10,963,295	10,897,310	65,985
Accumulated depreciation	(8,965,752)	(8,830,182)	(135,570)
Total	<u>\$ 1,997,543</u>	<u>\$ 2,067,128</u>	<u>\$ (69,585)</u>

Capital assets decreased by \$69,585, because capital outlays of \$65,985, depreciation of \$134,271, and an adjustment to accumulated depreciation of \$1,299.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Ypsilanti Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Walter Norris, Jr., Executive Director
Ypsilanti Housing Commission
601 Armstrong Drive
Ypsilanti, Michigan 48197

FINANCIAL STATEMENTS

YPSILANTI HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2007

=====

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 141,113
Receivables, net	36,533
Investments	135,716
Prepaid expenses	<u>6,664</u>
Total Current Assets	<u>320,026</u>
Capital Assets:	
Land	935,200
Buildings	9,541,084
Equipment	443,667
Building improvements	<u>43,344</u>
	10,963,295
Less: accumulated depreciation	<u>(8,965,752)</u>
Net Capital Assets	<u>1,997,543</u>
Total Assets	<u><u>\$ 2,317,569</u></u>

See notes to financial statements

YPSILANTI HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2007
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 3,860
Tenant security deposit liability	12,941
Accrued expenses	28,525
Deferred revenues	<u>12,009</u>
Total Current Liabilities	57,335
Noncurrent liabilities:	
Accrued compensated absences	<u>34,741</u>
Total Liabilities	<u>92,076</u>
Net Assets:	
Invested in capital assets	1,997,543
Unrestricted net assets	<u>227,950</u>
Total Net Assets	<u>2,225,493</u>
Total Liabilities and Net Assets	<u>\$ 2,317,569</u>

See notes to financial statements

YPSILANTI HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**
 Year Ended June 30, 2007
 =====

OPERATING REVENUES:

Dwelling rent	\$ 249,874
Nondwelling rent	<u>945</u>

Total operating revenues	<u>250,819</u>
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OPERATING EXPENSES:

Administration	574,532
Tenant services	361
Utilities	156,392
Ordinary maintenance and operation	446,121
Protective services	640
General expenses	139,933
Extraordinary maintenance	22,950
Housing assistance payments	1,282,905
Depreciation	<u>134,271</u>

Total operating expenses	<u>2,758,105</u>
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Operating income(loss)	<u>(2,507,286)</u>
------------------------	--------------------

NONOPERATING REVENUES:

Other government grants	22,253
Investment interest income	3,626
Other income	45,484
Operating grants	2,399,235
Capital grants	<u>42,366</u>

Total nonoperating revenues	<u>2,512,964</u>
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Change in net assets	5,678
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Net assets, beginning	<u>2,219,815</u>
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Net assets, ending	<u><u>\$ 2,225,493</u></u>
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See notes to financial statements

YPSILANTI HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 252,670
Cash payments to other suppliers of goods and services	(1,928,323)
Cash payments to employees for services	<u>(744,065)</u>
Net cash (used) by operating activities	<u>(2,419,718)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Other government grants	22,253
Tenant security deposits	707
Operating grants	2,399,235
Other revenue	<u>15,484</u>
Net cash provided by noncapital financing activities	<u>2,437,679</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	42,366
Payments for capital acquisitions	<u>(64,686)</u>
Net cash (used) by capital and related financing activities	<u>(22,320)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased by	52,074
Receipts of interest and dividends	<u>3,626</u>
Net cash provided by investing activities	<u>55,700</u>

Net increase(decrease) in cash	51,341
Cash and cash equivalents, beginning	<u>89,772</u>
Cash and cash equivalents, ending	<u>\$ 141,113</u>

YPSILANTI HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2007
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(2,507,286)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	134,271
Bad debt allowance adjustment	3,885
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(7,229)
Prepaid expenses	773
Increase (decrease) in liabilities:	
Accounts payable	(15,918)
Accrued compensated absences	(14,236)
Accrued liabilities-other	(27,779)
Accounts payable-PILOT	4,721
Deferred revenues	<u>9,080</u>
Net cash (used) by operating activities	<u><u>\$(2,419,718)</u></u>

See notes to financial statements

YPSILANTI HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007
=====

NOTE 1: Summary of Significant Accounting Policies

The Ypsilanti Housing Commission (the Housing Commission) is a component unit of the City of Ypsilanti, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Ypsilanti on March 9, 1953, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers Program	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

1(c) Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

1(d) Assets, Liabilities, and Equity (Continued)

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$25 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net

Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	10 years
Equipment and furnishings	10 - 15 years

1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

The Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers Program	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended June 30, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	<u>\$100,000</u>	<u>\$109,527</u>	<u>\$ 9,527</u>	<u>\$</u>	<u>\$ 139,613</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

3(a) Cash and Investments (Continued)

Investments (Continued)

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificates of deposits	<u>\$ 100,000</u>	<u>\$ 35,716</u>	<u>\$ _____</u>	<u>\$ 135,716</u>	<u>\$ 135,716</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Legal Trust Fund	\$ 1,000
Cash on hand	500
Carrying amount of deposits	139,613
Investments	<u>135,716</u>
Total	<u>\$ 276,829</u>

Cash and investments:	
Enterprise activities	\$ 246,742
Enterprise activities - deposits in transit	43,511
Enterprise activities - checks written in excess of deposits	<u>(13,424)</u>
Total	<u>\$ 276,829</u>

3(b) Receivables

Receivables detail at June 30, 2007, is as follows:

Other governments	\$ 25,000
Miscellaneous	5,000
Tenant accounts receivable	11,652
Allowance for doubtful accounts	<u>(5,119)</u>
	<u>\$ 36,533</u>

3(c) Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance 06/30/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 06/30/07</u>
Low Rent Program				
Land	\$ 935,200	\$	\$	\$ 935,200
Buildings	9,629,617		(88,533)	9,541,084
Furniture, equip. & machinery - dwellings	189,717	68,321		258,038
Furniture, equip. & machinery - administration	<u>142,182</u>	<u>42,853</u>		<u>185,035</u>
	10,896,716	<u>\$ 111,174</u>	<u>\$ (88,533)</u>	10,919,357
Less accumulated depreciation	<u>(8,829,588)</u>	<u>\$ (135,570)</u>	<u>\$</u>	<u>(8,965,158)</u>
Total	<u>\$2,067,128</u>			<u>\$1,954,199</u>
Capital Fund Program				
Building improvements	<u>\$</u>	<u>\$ 43,344</u>	<u>\$</u>	<u>\$ 43,344</u>
Housing Choice Voucher Program				
Furniture, equip. & machinery - administration	\$ 594	<u>\$</u>	<u>\$</u>	\$ 594
Less accumulated depreciation	<u>(594)</u>	<u>\$</u>	<u>\$</u>	<u>(594)</u>
Total	<u>\$</u>			<u>\$</u>
Combined Totals				<u>\$1,997,543</u>

3(d) Accounts Payable

Payable detail at June 30, 2007, is as follows:

Accounts payable - other government-PILOT \$ 12,941

3(e) Accrued Expenses

Accrued expense detail at June 30, 2007, is as follows:

Accrued compensated absences-current portion \$ 3,860

3(f) Non-current Liabilities

As of June 30, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	\$ <u>34,741</u>
--	------------------

3(g) Interprogram Transactions and Balances

Operating Transfers

The capital fund program transferred \$142,910 to the low rent program during the fiscal year ended June 30, 2007.

Interprogram Receivable/Payable

Low Rent Program	\$(352,594)
Housing Choice Voucher Program	<u>352,594</u>
	<u>\$</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

The Ypsilanti Housing Commission has a defined contribution plan with ICMA. During the fiscal year ended June 30, 2007, contributions of \$23,570 were made.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Commercial liability, public officials liability, employment practice coverage-defense only, lead-based paint liability, mold, other fungi or bacteria liability, and auto	Insurance coverage purchased from the Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Insured by the Accident AL Fund through the City of Ypsilanti.
c. Commercial property and boiler & machinery	Insurance coverage purchased from Housing Insurance Services, Inc.

4(b) Risk Management (Continued)

Type of Loss	Method Managed
d. Health	Insurance coverage with Blue Cross & Blue Shield.
e. Life	Insurance coverage with Colonial Life.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At June 30, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 302,006	\$ 32,882
2006 CFP	294,264	30,852
2007 CFP	302,066	30,785
	<u>\$ 898,336</u>	<u>\$ 94,519</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Error in cfp cumulative disbursements \$ (978)

Capital Fund Program

Error in cfp cumulative disbursements \$ 978

4(e) Leases

Details of the Housing Commission's outstanding capital leases, are set forth below;

Telephone system: The Housing Commission began leasing the telephone system on March 196 for \$320.74 per month. The lease was originally for five(5) years. The payments during the fiscal year 2006/07 was \$196.39 per month.

Lease payments over the next five years are as follows:

2007	\$ 2,357
2008	2,357
2009	2,357
2010	2,357
2011	2,357

SUPPLEMENTARY INFORMATION

YPSILANTI HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

June 30, 2007

=====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

ASSETS

Current assets:		
Cash and cash equivalents	\$ 84,012	\$
Receivables:		
Other governments	25,000	
Miscellaneous	5,000	
Tenants-dwelling rents	11,652	
Allowance for doubtful accounts	(5,119)	
Investments-unrestricted	135,716	
Prepaid expenses	6,664	
Due from other programs	<u> </u>	<u> </u>
Total current assets	<u>262,925</u>	<u> </u>
Capital assets:		
Land	935,200	
Buildings	9,541,084	
Equipment	443,073	
Building improvements	<u> </u>	<u>43,344</u>
	10,919,357	43,344
Less accumulated depreciation	<u>(8,965,158)</u>	<u> </u>
Net capital assets	<u>1,954,199</u>	<u>43,344</u>
Total Assets	<u>\$ 2,217,124</u>	<u>\$ 43,344</u>

Totals

\$ 141,113

352,594

672,620

10,963,295

(8,965,752)

\$ 2,670,163

YPSILANTI HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)
June 30, 2007

=====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 12,941	\$
Tenant security deposit liability	28,525	
Accrued expenses	3,860	
Deferred revenues	12,009	
Due to other programs	<u>352,594</u>	<u></u>

Total current liabilities	409,929	
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Noncurrent liabilities:

Accrued compensated absences	<u>34,741</u>	<u></u>
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Total liabilities	<u>444,670</u>	<u></u>
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Net Assets:

Invested in capital assets	1,954,199	43,344
Unrestricted net assets	<u>(181,745)</u>	<u></u>

Total net assets	<u>1,772,454</u>	<u>43,344</u>
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Total Liabilities and Net Assets	<u>\$2,217,124</u>	<u>\$ 43,344</u>
----------------------------------	--------------------	------------------

Housing Choice Vouchers Program <u>14.871</u>	<u>Totals</u>
\$	\$ 12,941
	28,525
	3,860
	12,009
<u> </u>	<u>352,594</u>
	409,929
<u> </u>	<u>34,741</u>
<u> </u>	<u>444,670</u>
	1,997,543
<u>409,695</u>	<u>227,950</u>
<u>409,695</u>	<u>2,225,493</u>
<u>\$ 409,695</u>	<u>\$ 2,670,163</u>

YPSILANTI HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended June 30, 2007

	C-3045 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 249,874	\$
Nondwelling rent	<u>945</u>	<u> </u>
Total operating revenues	<u>250,819</u>	<u> </u>
OPERATING EXPENSES:		
Administration	392,936	
Tenant services	361	
Utilities	156,392	
Ordinary maintenance and operation	446,121	
Protective services	640	
General expenses	124,281	
Extraordinary maintenance	22,950	
Housing assistance payments		
Depreciation	<u>134,271</u>	<u> </u>
Total operating expenses	<u>1,277,952</u>	<u> </u>
Operating income(loss)	<u>(1,027,133)</u>	<u> </u>
NONOPERATING REVENUES:		
Operating transfers in(out)	142,910	(142,910)
Other government grants	22,253	
Investment interest income	3,147	
Other income	45,484	
Operating grants	377,764	142,910
Capital grants	<u> </u>	<u>42,366</u>
Total nonoperating revenues	<u>591,558</u>	<u>42,366</u>
Change in net assets	(435,575)	42,366
Prior period adjustments, equity transfers and correction of errors	(978)	978
Net assets, beginning	<u>2,209,007</u>	<u> </u>
Net assets, ending	<u>\$1,772,454</u>	<u>\$ 43,344</u>

Housing Choice Vouchers Program 14.871	Totals
\$	\$ 249,874
	945
	250,819
181,596	574,532
	361
	156,392
	446,121
	640
15,652	139,933
	22,950
1,282,905	1,282,905
	134,271
1,480,153	2,758,105
(1,480,153)	(2,507,286)
	22,253
479	3,626
	45,484
1,878,561	2,399,235
	42,366
1,879,040	2,512,964
398,887	5,678
10,808	2,219,815
\$ 409,695	\$ 2,225,493

YPSILANTI HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended June 30, 2007

=====

	C-3045 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 252,670	\$
Cash payments to other suppliers of goods and services	(568,954)	
Cash payments to employees for services	<u>(623,281)</u>	
Net cash (used) by operating activities	<u>(939,565)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	142,910	(142,910)
Interprogram due from(to)	352,594	
Other government grants	22,253	
Tenant security deposits	707	
Operating grants	377,764	142,910
Other revenue	<u>15,484</u>	
Net cash provided by noncapital financing activities	<u>911,712</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		42,366
Payments for capital acquisitions	<u>(22,320)</u>	<u>(42,366)</u>
Net cash (used) by capital and related financing activities	<u>(22,320)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments decreased (increased)	52,074	
Receipts of interest and dividends	<u>3,147</u>	
Net cash provided by investing activities	<u>55,221</u>	
Net increase(decrease) in cash	5,048	
Cash and cash equivalents, beginning	<u>78,964</u>	
Cash and cash equivalents, ending	<u><u>\$ 84,012</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers Program 14.871	Totals
\$	\$ 252,670
(1,359,369)	(1,928,323)
<u>(120,784)</u>	<u>(744,065)</u>
<u>(1,480,153)</u>	<u>(2,419,718)</u>
(352,594)	
	22,253
	707
1,878,561	2,399,235
<u> </u>	<u>15,484</u>
<u>1,525,967</u>	<u>2,437,679</u>
	42,366
<u> </u>	<u>(64,686)</u>
<u> </u>	<u>(22,320)</u>
	52,074
<u>479</u>	<u>3,626</u>
<u>479</u>	<u>55,700</u>
46,293	51,341
<u>10,808</u>	<u>89,772</u>
<u>\$ 57,101</u>	<u>\$ 141,113</u>

YPSILANTI HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended June 30, 2007

=====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$(1,027,133)	\$
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	134,271	
Bad debt allowance adjustment	3,885	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(7,229)	
Prepaid expenses	773	
Increase (decrease) in liabilities:		
Accounts payable	(15,918)	
Accrued compensated absences	(14,236)	
Accrued liabilities-other	(27,779)	
Accounts payable-PILOT	4,721	
Deferred revenues	<u>9,080</u>	
Net cash (used) by operating activities	<u>\$(939,565)</u>	<u>\$</u>

Housing Choice Vouchers Program <u>14.871</u>	<u>Totals</u>
 \$(1,480,153)	 \$(2,507,286)
	134,271
	3,885
	(7,229)
	773
	(15,918)
	(14,236)
	(27,779)
	4,721
<u> </u>	<u>9,080</u>
<u>\$(1,480,153)</u>	<u>\$(2,419,718)</u>

YPSILANTI HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2007

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 377,764
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	185,277
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	<u>1,878,561</u>
	Total		<u>\$2,441,602</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

YPSILANTI HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2007

=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 50,565	\$
114	Cash-tenant security deposits	<u>33,447</u>	<u></u>
100	Total cash	<u>84,012</u>	<u></u>
	Receivables:		
124	A/R-other governments	25,000	
125	A/R-miscellaneous	5,000	
126	A/R-tenants-dwelling rents	11,652	
126.1	Allowance for doubtful accounts	<u>(5,119)</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>36,533</u>	<u></u>
131	Investments-unrestricted	<u>135,716</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	6,664	
144	Interprogram due from	<u></u>	<u></u>
	Total other current assets	<u>6,664</u>	<u></u>
150	Total current assets	<u>262,925</u>	<u></u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	935,200	
162	Buildings	9,541,084	
163	Furn, equip & mach-dwellings	258,038	
164	Furn, equip & mach-admin.	185,035	
165	Building improvements		43,344
166	Accumulated depreciation	<u>(8,965,158)</u>	<u></u>
160	Total fixed assets, net of accumulated depreciation	<u>1,954,199</u>	<u>43,344</u>
180	Total noncurrent assets	<u>1,954,199</u>	<u>43,344</u>
190	Total Assets	<u>\$ 2,217,124</u>	<u>\$ 43,344</u>

Housing Choice Vouchers Program 14.871	Totals
\$ 57,101	\$ 107,666
	33,447
57,101	141,113
	25,000
	5,000
	11,652
	(5,119)
	36,533
	135,716
	6,664
352,594	352,594
352,594	359,258
409,695	672,620
	935,200
	9,541,084
594	258,632
	185,035
	43,344
(594)	(8,965,752)
	1,997,543
	1,997,543
\$ 409,695	\$ 2,670,163

YPSILANTI HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2007
 =====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
322	Accrued compensated absences- current portion	\$ 3,860	\$
333	Accounts payable-other government	12,941	
341	Tenant security deposits	28,525	
342	Deferred revenues	12,009	
347	Interprogram due to	<u>352,594</u>	
310	Total current liabilities	409,929	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>34,741</u>	
300	Total liabilities	<u>444,670</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>1,954,199</u>	<u>43,344</u>
508	Total invested in capital assets	1,954,199	43,344
512.1	Unrestricted net assets	<u>(181,745)</u>	
513	Total Net Assets	<u>1,772,454</u>	<u>43,344</u>
600	Total Liabilities and Net Assets	<u>\$ 2,217,124</u>	<u>\$ 43,344</u>

Housing Choice Vouchers Program <u>14.871</u>	<u>Totals</u>
\$	\$ 3,860
	12,941
	28,525
	12,009
<u> </u>	<u>352,594</u>
	409,929
<u> </u>	<u>34,741</u>
<u> </u>	<u>444,670</u>
<u> </u>	<u>1,997,543</u>
	1,997,543
<u>409,695</u>	<u>227,950</u>
<u>409,695</u>	<u>2,225,493</u>
<u>\$ 409,695</u>	<u>\$ 2,670,163</u>

YPSILANTI HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2007
=====

FDS Line Item No.		C-3045 Low Rent Program 14.850a	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 249,874	\$
704	Tenant revenue-other	945	
705	Total tenant revenue	250,819	
706	HUD PHA grants	377,764	142,910
706.1	Capital grants		42,366
708	Other government grants	22,253	
711	Investment income-unrestricted	3,147	
715	Other income	45,484	
700	Total revenue	699,467	185,276
	Expenses:		
	Administrative:		
911	Administrative salaries	245,127	
912	Auditing fees	6,350	
914	Compensated absences	(14,236)	
915	Employee benefit contributions-adm.	102,939	
916	Other operating-administrative	52,756	
	Tenant services:		
924	Tenant services-other	361	
	Utilities:		
931	Water	109,524	
932	Electricity	19,010	
933	Gas	27,858	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	184,331	
942	Ordinary maint & oper-mat'ls & other	80,808	
943	Ordinary maint & oper-contract costs	104,334	
945	Employee benefit contributions	76,648	
953	Protective services-other	640	
	General expenses:		
961	Insurance premiums	82,061	
962	Other general expenses	3,285	
963	Payments in lieu of taxes	4,721	
964	Bad debt-tenant rents	34,214	
969	Total operating expenses	1,120,731	
970	Excess operating revenue over operating expenses	(421,264)	185,276

Housing Choice Vouchers Program 14.871	Totals
\$	\$ 249,874
	945
	250,819
1,878,561	2,399,235
	42,366
	22,253
479	3,626
	45,484
<u>1,879,040</u>	<u>2,763,783</u>
99,951	345,078
1,500	7,850
	(14,236)
20,833	123,772
59,312	112,068
	361
	109,524
	19,010
	27,858
	184,331
	80,808
	104,334
	76,648
	640
15,652	97,713
	3,285
	4,721
	34,214
<u>197,248</u>	<u>1,317,979</u>
<u>1,681,792</u>	<u>1,445,804</u>

YPSILANTI HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2007

=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850a</u>	Capital. Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	22,950	
973	Housing assistance payments		
974	Depreciation expense	<u>134,271</u>	
	Total other expenses	<u>157,221</u>	
900	Total expenses	<u>1,277,952</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	<u>(578,485)</u>	<u>185,276</u>
	Other Financing Sources(Uses):		
1001	Operating transfers in	142,910	
1002	Operating transfers (out)		<u>(142,910)</u>
	Total other financing sources(uses)	<u>142,910</u>	<u>(142,910)</u>
1000	Excess(deficiency) of operating revenue over(under) expenses	(435,575)	42,366
1103	Beginning Net Assets	2,209,007	
1104	Prior period adjustments, equity transfers and correction of errors	<u>(978)</u>	<u>978</u>
	Ending Net Assets	<u>\$ 1,772,454</u>	<u>\$ 43,344</u>

Housing Choice Vouchers Program <u>14.871</u>	<u>Totals</u>
	22,950
1,282,905	1,282,905
	<u>134,271</u>
<u>1,282,905</u>	<u>1,440,126</u>
<u>1,480,153</u>	<u>2,758,105</u>
<u>398,887</u>	<u>5,678</u>
	142,910
	(<u>142,910</u>)
398,887	5,678
10,808	2,219,815
<u>\$ 409,695</u>	<u>\$ 2,225,493</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Ypsilanti Housing Commission
Ypsilanti, Michigan

I have audited the financial statements of the business-type activities of Ypsilanti Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated March 17, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Ypsilanti Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Landolt, MS, PC

March 17, 2008

**Report on Compliance with Requirements
Applicable To Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Ypsilanti Housing Commission
Ypsilanti, Michigan

Compliance

I have audited the compliance of Ypsilanti Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Ypsilanti Housing Commission
Page Two

Compliance (continued)

As described in items 07-1 and 07-2 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and reasonable rent, that are applicable to the Housing Choice Voucher program. As described in items 07-3, 07-4, and 07-5 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibilitiy, that are applicable to the Low Rent Public Housiing program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with requirements applicable to these programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Ypsilanti Housing Commission
Page Three

Internal Control Over Compliance (Continued)

likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, and 07-5 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 07-4 and 07-5 to be material weaknesses.

The Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sam E. Tardiff, CPA, PC

March 17, 2008

YPSILANTI HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS

June 30, 2007

=====

- Finding 06-1: Management and the Board have not been receiving interim financial statements on a timely basis. This finding has been cleared.
- Finding 06-2: The trial balance required material audit adjusting journal entries. This finding has been cleared.

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007
=====

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Ypsilanti Housing Commission.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Ypsilanti Housing Commission were disclosed during the audit.
4. Five reportable conditions in internal control over major federal award programs disclosed during the audit are reported in Section III - Federal Award Findings as findings 07-1, 07-2, 07-3, 07-4, and 07-5. Findings 07-4 and 07-5 were reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Ypsilanti Housing Commission expresses a qualified opinion on the Housing Choice Voucher and Low Rent Public Housing programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Low Rent Public Housing program	CFDA No. 14.850a
Housing Choice Voucher program	CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Ypsilanti Housing Commission was determined to be a high-risk auditee.

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the voucher or if all aspects of the program are being run correctly without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We started with the 22nd tenant file and every 25th one after that, until a total of 4 tenant files were selected to be tested from an Ad-hoc Tenant Report provided by the Ypsilanti Housing Commission. We also selected a file to test that was tested last year, so a total of 5 tenant files were tested. We selected 5 tenant files to test from a population of 199 tenant files to select from.

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	1
* E-002-0081-01 missing 9886 for Darius	
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	1
* E-002-0205-05 no documented attempt to obtain written 3rd party	
6. Inspection Report missing for fiscal year or was incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	1
* E-002-0081-01 missing 1 of 2	
10. Copy of Proof of Social Security Number Verification missing	0
11. Annual Review not done for fiscal year or not documented	0
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1 (Continued): Year Ended June 30, 2007

Population and Items Tested (continued):

	<u># of Errors</u>
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	2
* E-002-0081-01 missing 1 of 4; two wrong signatures	
* E-002-0065-01 missing 1 of 8; box not checked on 1 of 8	
16. Lead Based Paint disclosure missing or incorrect	1
* V-005-0020-02 incomplete	
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Request for Tenancy Approval not done or incorrect	1
* E-002-0205-03 missing signature page 2	
19. Voucher not in file or its was incorrect	0
20. HAP Contract missing or incorrect	1
* V-005-0020-02 not signed	
21. HAP Tenancy Addendum missing	2
* E-002-0205-03 missing	
* E-002-0258-01 missing	
22. Rent Reasonableness Test missing or incorrect	2
* E-002-0205-03 missing	
* E-002-0258-01 missing	
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-Nonlife Threatening Corrections made >30 days or past extension	1
* E-002-0258-01 late	
25. Proper action not taken if (23) or (24) was violated	0
26. Annual Family Composition Review missing or incorrect	<u>0</u>
Total	<u><u>13</u></u>

Out of a possible 130, there were 13 exceptions from this test. This represents an exception rate of 10.0%.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-2: Year Ended June 30, 2007

Criteria or Specific Requirement: 24 CFR 982.507 rent to owner:
Reasonable rent

Condition: During testing of the tenant files and through an interview, it was discovered that there was not proper administration of the rent reasonableness testing process.

Effect: Tenants may have been charged rents that were too high.

Cause: The staff member in charge of this program performed a test of the reasonableness of the rent in some cases where required, but the process was not complete. First, all factors required by HUD and the Ypsilanti Housing Commission's Administrative Plan should have been used in the rent reasonableness testing. Second, all of the required factors should have been used in comparing the tenant's property to the unassisted properties. Also, there were not any rent reasonableness tests for the initial lease for the fiscal year audited in the tenant files, although informal tests were done. There was some information on the properties from the area for the fiscal year audited, but it was not put into a formal documented comparison. Finally, the data for the rent reasonableness testing should be updated in accordance to the Ypsilanti Housing Commission's Administrative Plan. A rent reasonableness study was done in approximately 2002, but the documentation was not available during the audit. Another study done in 1999 was available for review.

Auditor's Recommendation: It is recommended that the staff correct the above deficiencies in the process and perform a rent reasonableness test when there is an increase in rent, for the initial leasing, if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the contract anniversary as compared with the Fair Market Rent in effect one year before the contract anniversary, and as otherwise directed by HUD as required by 24 CFR 982.507.

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-3: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected five public housing tenant files to test from an Ad-hoc Tenant Report supplied by the Housing Commission. We started with the 25th tenant on the list and selected every 31st tenant after that until a total of five were selected from a population of 157 tenant files.

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income * P-001-0129-12 missing FIA verification	1
4. Incorrect Verification of Expenses * P-003-0312-05 missing checklist * P-001-0129-12 missing documentation * P-004-0431-06 checklist not filled out for expenses	3
5. Incorrect Verification of Assets * P-003-0312-05 missing checklist * P-001-0129-12 missing asset information on application-no checklist * P-004-0431-06 verification not returned by bank-no alternative verification obtained	3
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing * P-003-0312-05 missing	1
11. Worksheet for HUD-50058 missing or incorrect	0

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007

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SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-3 (Continued): Year Ended June 30, 2007

Population and Items Tested (Continued):

	<u># of Errors</u>
12. Flat Rent/Income Based Rent Choice missing or incorrect	5
* P-003-0312-05 missing	
* P-001-0129-12 missing	
* P-004-0431-06 missing	
* P-004-0472-12 missing	
* P-001-0197-11 missing	
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	1
* P-001-0129-12 need Cory's 3 of 6 boxes not checked	
16. Check for Previous Eviction from Public Housing not done or incorrect	1
* P-004-0472-12 no documentation of follow-up with Ann Arbor	
17. Annual Family Composition Review missing or incorrect	0
18. Annual Review missing or incorrect	0
19. Copy of Birth Certificate missing	0
19. Lead based paint disclosure missing or incorrect	<u>0</u>
Total	<u>15</u>

Out of a possible 100, there were 15 exceptions from this test. This represents an exception rate of 15.0%.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
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SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-4: Year Ended June 30, 2007

Criteria or Specific Requirement: 24 CFR 982.516-Family income and composition: Regular and interim examinations

Condition: During testing of the tenant files, it was discovered that there was not proper attempts to obtain information on tenant assets and expenses, and then obtain proper verification of those assets and expenses.

Effect: Tenants may have been charged rents that were incorrect.

Cause: The staff member in charge of this program did not obtain information on possible tenant assets and expenses in all cases and then obtain the proper verifications of those assets and expenses.

Population and Items Tested: Out of the 5 tenant files tested out of a population of 157, three of the five did not have proper tenant asset and expense documentation. This represents an exception rate of 60.0%.

Auditor's Recommendation: It is recommended that the staff obtain written information on tenant assets and expenses and document the process in the tenant file. The staff should then obtain verifications of these expenses and assets. Whenever possible, these should be independent third party written verifications. If independent third party written verifications can't be obtained, the file must contain documentation as to why they could not be obtained.

YPSILANTI HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-5: Year Ended June 30, 2007

Criteria or Specific Requirement: Directive Number 960.253-Choice of Rent

Condition: During testing of the tenant files, it was discovered that documentation of the tenant's choice of flat rent versus income based rent was missing in the tenant files.

Effect: Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a chance to select income based or flat rent.

Cause: The staff member in charge of this program did not obtain documentation any of the documentation.

Population and Items Tested: Out of the five files tested, none of the five had any of the documentation. This represents an exception rate of 100.0%.

Auditor's Recommendation: It is recommended that the Housing Commission document the tenant's annual written choice of flat rent or income based rent.

YPSILANTI HOUSING COMMISSION
ACTION PLAN
June 30, 2007

Findings 07-1 and 07-2: The Ypsilanti Housing Commission(YHC) staff will make the necessary corrections as identified by the auditor in all of the tenant files of the Housing Choice Voucher program. Quality control procedures will be executed to assure proper implementation.

Findings 07-3, 07-4, and 07-5: In reference to the auditor's communication on significant deficiencies and material weaknesses in internal controls letter, dated March 17, 2008, please find below a list of corrective actions to correct these deficiencies:

Public Housing Program - CFDA No. 14.850a

* Incorrect Verification of Income;

Correction: YHC will use independent third party written verification to verify income if unable to obtain third party verification the file will reflect the reason YHC was unable to obtain this information.

* Incorrect Verification of Expenses, checklist, documentation;

Correction: A checklist has been developed to be used for all annual certifications and will gather missing asseet information on the audited files and will use a third party for verification.

* Copy of Proof of Social Security Number;

Correction: YHC will gather the Social Security Number for each file. YHC has a policy of not housing any potential residents before all documentation has been produced, and will follow this policy and conduct quality control reviews to assure compliance with this policy.

* Flat Rent/Income based rent choice missing;

Correction: YHC has stressed implementation/presentation of this choice for all residents to review the cost of flat rate versus income based rent to provide a clear choice to residents.

* Missing declaration of 214 Status;

Correction: YHC will obtain the missing documentation for the files.

Executive Director, Walter Norris has met with Eric Temple, Administrative Specialist and reviewed all deficiencies and has met with staff and directed them to comply with the correction action plan which will be completed and implemented by June 30, 2008. Should you need additional information or clarification please do not hesitate to contact me at (734) 482-4300 or wnorris@ypsilantiyh.org.

Sincerely,

Walter Norris, Jr., Executive Director